

## Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 ISO-00 AGR-20 CIAE-00

COME-00 INR-11 LAB-06 NSAE-00 RSC-01 SP-03 STR-08

TRSE-00 SWF-02 CIEP-03 FRB-03 OMB-01 TAR-02 IO-14 H-03

L-03 PA-04 PRS-01 SS-20 NSC-07 SSO-00 NSCE-00 USIE-00

INRE-00 DRC-01 /176 W

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O R 052040Z SEP 74

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC IMMEDIATE 1328

INFO AMEMBASSY ABIJAN

AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY GUATEMALA

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUANDA

AMEMBASSY MANAGUA

AMEMBASSY MEXICO CITY

AMEMBASSY MONROVIA

AMEMBASSY PANAMA

AMEMBASSY PARIS

AMEMBASSY SAN JOSE

SAN SALVADOR 149

AMEMBASSY TEGUCIGALPA

AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: E/AGR, BR

SUBJECT: COFFEE: BRAZIL COFFEE INSTITUTE REVERSES POLICY

REF: STATE 184934

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1. FOLLOWING INFORMATION DEVELOPED DURING CONVERSATIONS WITH MAJOR COFFEE EXPORTERS.

2. BRAZILIAN COFFEE INSTITUTE (IBC) HAS REVERSED ITS POLICY AND HAS REINSTITUTED "SPECIAL DEALS". PRECISE CONTRACT TERMS, WHICH WOULD APPLY FOR VIRTUALLY ALL BUYERS, REPORTEDLY STILL NOT DEFINITELY SET. INITIALLY, IBC WISHED TO SIGN CONTRACTS SETTING PRICE THREE CENTS BELOW THAT OF CENTRAL AMERICAN MILDS. CURRENTLY, HOWEVER, IBC PROPOSALS PROVIDE FOR ONE YEAR CONTRACTS IN WHICH PRICE OF BRAZILIAN COFFEE IS TO BE DETERMINED BY A COMPOSITE PRICE EQUALLING 40 PERCENT ROBUSTA AND 60 PERCENT CENTRAL AMERICAN MILD PRICES. IN ADDITION, IF A COMPANY COMMITS ITSELF TO PURCHASE FROM BRAZIL 30 PERCENT OF ITS TOTAL IMPORTS, IT WILL RECEIVE AN ADDITIONAL DISCOUNT OF 2.5 CENTS PER POUND. THIS DISCOUNT WILL BE RAISED TO 3 CENTS PER POUND IF COMPANY COMMITS ITSELF TO PURCHASING FROM BRAZIL 60 PERCENT OF ITS TOTAL IMPORTS. IBC WILL ALSO GRANT SMALL ADDITIONAL DISCOUNTS FOR COMPANIES HIGHLIGHTING THEIR USE OF BRAZILIAN COFFEE IN THEIR ADVERTISEMENTS AND MARKET DEVELOPMENT PROGRAMS. THE TERMS WILL BE IMPROVED FOR THOSE COUNTRIES WHICH NOW HAVE ARRANGEMENTS WHEREBY THEY PURCHASE THREE BAGS OF COFFEE IN BRAZIL AND RECEIVE ONE BAG OF COFFEE FROM THE TRIESTE DEPOT. CURRENT PRICE OF TRIESTE COFFEE BEING SOLD AT \$60 PER BAG. THIS PRICE WILL REPORTEDLY BE REDUCED TO \$30 PER BAG. IBC REPRESENTATIVES CURRENTLY VISITING U.S. AND EUROPE IN SEARCH OF NEW CONTRACTS. IT IS POSSIBLE THAT CONTRACTS MAY BE SIGNED WITH SLIGHTLY DIFFERENT TERMS THAN THOSE INDICATED ABOVE.

3. VERY FEW MAJOR EXPORTERS HAVE APPARENTLY SIGNED "SPECIAL DEALS" CONTRACTS TO DATE. MAJOR EXCEPTIONS ARE FOLGER AND, IN EUROPE, NESTLE. FORMER ADMITS TO PURCHASING 60,000 BAGS FOR SHIPMENT IN SEPTEMBER, BUT ANOTHER MAJOR EXPORTER CLAIMS FOLGER SIGNED ONE YEAR CONTRACT COMMITTING ITSELF TO PURCHASING 600,000 BAGS. MAJOR NEGOTIATIONS REPORTEDLY ARE NOW UNDERWAY WITH A&P AND HILLS BROS. LATTER REPORTEDLY HAS REJECTED TERMS SET FORTH ABOVE, REQUESTING INSTEAD LOWER PRICE AS WELL LIMITED OFFICIAL USE

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AS FINANCING FROM BRAZIL.

4. IBC APPARENTLY FORCED TO MAKE THIS MAJOR POLICY CHANGE BECAUSE OF BRAZIL'S DETERIORATING BALANCE OF PAYMENTS, THE COUNTRY'S SHARP DECREASE IN COFFEE EXPORTS DURING PAST FEW MONTHS, AND FEAR OF PERMANENTLY LOSING SIGNIFICANT PORTION OF INTERNATIONAL MARKET. IT APPARENTLY FELT THAT, WITH THREAT OF FROST REDUCED TO

ALMOST ZERO, IT HAS TO INITIATE SALES IMMEDIATELY. MAJOR IMPORTERS, HOWEVER, APPARENTLY BELIEVE COFFEE PRICE HAS ENTERED SIGNIFICANT DECLINE. FEELING EXISTS THAT FORMULA PROPOSED BY IBC SETS NO FLOOR. AS OTHER PRODUCER COUNTRIES ATTEMPT TO COMPETE WITH BRAZIL, THEY ASSERT, FURTHER SIGNIFICANT PRICE DECLINE MAY ENSUE.

5. VISIT OF IVORY COAST MINISTER OF AGRICULTURE ABDOULAYE SAWADOGO APPARENTLY WAS A FAILURE. HE VISITED BRAZIL AT INVITATION OF IBC, AND AT URGING OF FOREIGN OFFICE, FOR EXPRESSED PURPOSE OF PARTICIPATING IN WHAT WAS TO HAVE BEEN A MEETING OF CAFE MUNDIAL REPRESENTATIVES. REPRESENTATIVES OF COLOMBIA AND LUANDA FAILED TO MATERIALIZE AND BRAZIL, BY THE TIME OF SAWADOGO'S ARRIVAL, HAD DECIDED TO RETURN TO "SPECIAL DEALS." SAWADOGO TRAVELED TO COLOMBIA AFTER LEAVING BRAZIL. MILLER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, COFFEE, EXPORTS, GOVERNMENT AGENCIES, PRICES, CONTRACTS, MINISTERIAL VISITS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 05 SEP 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** shawdg  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Errors:** N/A  
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**Office:** ACTION EB  
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**Secure:** OPEN  
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**Subject:** COFFEE: BRAZIL COFFEE INSTITUTE REVERSES POLICY  
**TAGS:** EAGR, ETRD, OVIP, BR, IV, IBC  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005